

**APPENDIX A – PARTIES FILING COMMENTS AND REPLY COMMENTS**

**Comments in response to the Notice**

AT&T Corp. (AT&T)  
BellSouth Corporation (BellSouth)  
National Association of State Utility Consumer Advocates (NASUCA)  
Public Service Commission of Wisconsin (Wisconsin)  
Qwest Corporation (Qwest)  
Rural Utilities Service (RUS)  
SBC Communications Inc. (SBC)  
Sprint Corporation (Sprint)  
United States Telecom Association (USTA)  
The Verizon Telephone Companies (Verizon)

**Reply Comments in response to the Notice**

AT&T  
BellSouth  
Qwest  
SBC  
USTA  
Verizon

**Opposition to the BellSouth, SBC and Verizon Petition for Reconsideration**

AT&T

**Opposition to the SBC Petition for Reconsideration**

AT&T

## APPENDIX B – FINAL RULES

Part 32 of title 47 of the C.F.R. is amended as follows:

## PART 32 – UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

The authority citation for part 32 continues to read as follows:

**Authority:** 47 U.S.C. 154(i), 154(j) and 220 as amended, unless otherwise noted.

Table of Contents, Part 32—Uniform System of Accounts for Telecommunications Companies is revised to read as follows:

PART 32—UNIFORM SYSTEM OF  
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COMPANIES

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Section 32.11 Classification of Companies is amended by revising paragraph (a) to read as follows:

**§ 32.11 Classification of companies.**

(a) For purposes of this section, the term “company” or “companies” means incumbent local exchange carrier(s) as defined in section 251(h) of the Communications Act, and any other carriers that the Commission designates by Order. Incumbent local exchange carriers’ successor or assign companies, as defined in section 251(h)(1)(B)(ii) of the Communications Act, that are found to be non-dominant by the Commission, will not be subject to this Uniform System of Accounts.

\* \* \* \* \*

Section 32.27 Transactions with affiliates is amended by revising paragraph (a) to read as follows:

**§ 32.27 Transactions with affiliates.**

(a) Unless otherwise approved by the Chief, Wireline Competition Bureau, transactions with affiliates involving asset transfers into or out of the regulated accounts shall be recorded by the carrier in its regulated accounts as provided in paragraphs (b) through (f) of this section.

\* \* \* \* \*

Section 32.1280 Prepayments is amended by revising paragraph (d) to read as follows:

**§ 32.1280 Prepayments.**

\* \* \* \* \*

(d) The cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged directly to Account 6622, Number services. These prepaid directory expenses shall be cleared to Account 6622 by monthly charges representing that portion of the expenses applicable to each month.

\* \* \* \* \*

Section 32.2000 Instructions for telecommunications plant accounts is amended by revising paragraph (g)(5) to read as follows:

**§ 32.2000 Instructions for telecommunications plant accounts.**

\* \* \* \* \*

(g) \* \* \*

(5) Upon direction or approval from this Commission, the company shall credit Account 3100, Accumulated Depreciation, and charge Account 1438, Deferred Maintenance, retirements and other deferred charges, with the unprovided-for loss in service value. Such amounts shall be distributed from Account 1438 to Account 6561, Depreciation expense—Telecommunications plant in service, or Account 6562, Depreciation expense—property held for future telecommunications use, over such period as this Commission may direct or approve.

\* \* \* \* \*

Section 32.2005 Telecommunications Plant Adjustment is amended by revising paragraphs (b)(1) and (b)(4) to read as follows:

**§ 32.2005 Telecommunications Plant Adjustment.**

\* \* \* \* \*

(b) \* \* \*

(1) Debit amounts may be charged in whole or in part, or amortized over a reasonable period through charges to Account 7300, Nonoperating income and expense, without further direction or approval by this Commission. When specifically approved by this Commission, or when the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to Account 6565, Amortization expense—other.

(2) \* \* \*

(3) \* \* \*

(4) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of telephone plant by a lump-sum charge or credit, as appropriate, to Account 6565 without further approval of this Commission, provided that such amount does not exceed \$100,000 and that the plant was not acquired from an affiliated company.

Section 32.2682 Leasehold improvements is amended by revising paragraph (c) to read as follows:

**§ 32.2682 Leasehold improvements.**

\* \* \* \* \*

(c) Amounts contained in this account shall be amortized over the term of the related lease. For Class A companies, except mid-sized incumbent local exchange carriers, the amortization associated with the costs recorded in the Leasehold improvement account will be credited directly to this asset account, leaving a balance representing the unamortized cost.

Section 32.2690 Intangibles is amended by revising paragraph (c) to read as follows:

**§ 32.2690 Intangibles.**

\* \* \* \* \*

(c) The cost of other intangible assets, not including software, having a life of one year or less shall be charged directly to Account 6564, Amortization expense—intangible. Such intangibles acquired at small cost may also be charged to Account 6564, irrespective of their term of life. The cost of software having a life of one year or less shall be charged directly to the applicable expense account with which the software is associated.

\* \* \* \* \*

Section 32.3000 Instructions for balance sheet accounts—Depreciation and amortization is amended by revising paragraph (b) to read as follows:

**§ 32.3000 Instructions for balance sheet accounts—Depreciation and amortization.**

(a) \* \* \*

(b) Depreciation and Amortization Accounts to be Maintained by Class A and Class B telephone companies, as indicated.

Account title	Class A account	Class B account
Depreciation and amortization:		
Accumulated depreciation	3100	3100
Accumulated depreciation—Held for future telecommunications use	3200	3200

Accumulated depreciation—Nonoperating	3300	3300
Accumulated depreciation—Tangible		3400
Accumulated depreciation—Capitalized leases	3410	

Section 32.3100 Accumulated depreciation is amended by revising paragraphs (b) and (d) to read as follows:

**§ 32.3100 Accumulated depreciation.**

\* \* \* \* \*

(b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense—telecommunications plant in service. (Note also Account 3300, Accumulated depreciation—nonoperating.)

(c) \* \* \*

(d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.

Section 32.3200 Accumulated depreciation—held for future telecommunications use is amended by revising paragraph (b) to read as follows:

**§ 32.3200 Accumulated depreciation—held for future telecommunications use.**

\* \* \* \* \*

(b) This account shall be credited with amounts concurrently charged to Account 6562, Depreciation expense—property held for future telecommunications use.

Section 32.3400 Accumulated amortization—tangible is revised to read as follows:

**§ 32.3400 Accumulated amortization—tangible.**

(a) This account shall be used by Class B companies and shall include:

(1) the accumulated amortization associated with the investment contained in Account 2681, Capital leases.

(2) the accumulated amortization associated with the investment contained in Account 2682, Leasehold improvements.

(b) This account shall be credited with amounts for the amortization of capital leases and leasehold improvements concurrently charged to Account 6563, Amortization expense—tangible. (Note also Account 3300, Accumulated depreciation—nonoperating.)

(c) When any item carried in Account 2681 or Account 2682 is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7100, Other operating income and expenses, or Account 7300, Nonoperating income and expense, as appropriate.

Section 32.3410 Accumulated amortization—capitalized leases is amended by revising paragraph (b) to read as follows:

**§ 32.3410 Accumulated amortization—capitalized leases.**

\* \* \* \* \*

(b) This account shall be credited with amounts for the amortization of capital leases concurrently charged to Account 6563, Amortization expense—tangible. (Note also Account 3300, Accumulated depreciation—nonoperating.)

\* \* \* \* \*

Section 32.4999 General is amended by revising paragraphs (c), (f) and (n) to read as follows:

**§ 32.4999 General.**

\* \* \* \* \*

(c) *Commissions.* Commissions paid to others or employees in place of compensation or salaries for services rendered, such as public telephone commissions, shall be charged to Account 6623, Customer services, and not to the revenue accounts. Other commissions shall be charged to the appropriate expense accounts.

\* \* \* \* \*

(f) *Subsidiary records—jurisdictional subdivisions and interconnection.* Subsidiary record categories shall be maintained in order that the company may separately report revenues derived from charges imposed under intrastate, interstate and international tariff filings. Class A carriers shall also maintain subsidiary record categories in order that the companies may separately report interconnection revenues derived from the following categories: Unbundled network element revenues, Resale revenues, Reciprocal compensation revenues, and Other interconnection revenues. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

\* \* \* \* \*

(n) *Revenue accounts to be maintained.*

Account Title	Class A account	Class B account
Local network services revenues:		



Basic local service revenue		5000
Basic area revenue	5001	
Private line revenue	5040	
Other basic area revenue	5060	
Network access service revenues:		
End user revenue	5081	5081
Switched access revenue	5082	5082
Special access revenue	5083	5083
Long distance network services revenues:		
Long distance message revenue	5100	5100
Miscellaneous revenues:		
Miscellaneous revenue	5200	5200
Directory revenue	5230	
Nonregulated revenues:		
Nonregulated operating revenue	5280	5280
Uncollectible revenues:		
Uncollectible revenue	5300	5300

Section 32.5001 Basic area revenue is amended to revise paragraph (b) to read as follows:

**§ 32.5001 Basic area revenue.**

\* \* \* \* \*

(b) Revenue derived from charges for nonpublished number or additional and boldfaced listings in the alphabetical section of the company's telephone directories shall be included in account 5230, Directory revenue.

\* \* \* \* \*

Section 32.5200 Miscellaneous revenue is revised to read as follows:

**§ 32.5200 Miscellaneous revenue.**

This account shall include revenue derived from the following sources. For Class B companies, this account shall also include revenue of the type and character required of Class A companies in Account 5230, Directory revenue.

(a) Rental or subrental to others of telecommunications plant furnished apart from telecommunications services rendered by the company (this revenue includes taxes when borne by the lessee). It includes revenue from the rent of such items as space in conduit, pole line space for attachments, and any allowance for return on property used in joint operations and shared facilities agreements. The expense of maintaining and operating the rented property, including depreciation and insurance, shall be included in the appropriate operating expense accounts. Taxes applicable to the rented property shall be included by the owner of the rented property in appropriate tax accounts. When land or buildings are rented on an incidental basis for non-telecommunications use, the rental and expenses are included in Account 7300, Nonoperating income and expense.

(b) Services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general accounting, financial, legal, patent, and other general services associated with the provision of regulated telecommunications services. (See also Account 5230.)

(c) The provision, either under tariff or through contractual arrangements, of special billing information to customers in the form of magnetic tapes, cards or statements. Special billing information provides detail in a format and/or at a level of detail not normally provided in the standard billing rendered for the regulated telephone services utilized by the customer.

(d) The performance of customer operations services for others incident to the company's regulated telecommunications operations which are not provided for elsewhere. (See also Sections 32.14(e) and 32.4999(e)).

(e) Contract services (plant maintenance) performed for others incident to the company's regulated telecommunications operations. This includes revenue from the incidental performance of nontariffed operating and maintenance activities for others which are similar in nature to those activities which are performed by the company in operating and maintaining its own telecommunications plant facilities. The records supporting the entries in this account shall be maintained with sufficient particularity to identify the revenue and associated Plant Specific Operations Expenses related to each undertaking. This account does not include revenue related to the performance of operation or maintenance activities under a joint operating agreement.

(f) The provision of billing and collection services to other telecommunications companies. This includes amounts charged for services such as message recording, billing, collection, billing analysis, and billing information services, whether rendered under tariff or contractual arrangements.

(g) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for activities included in the miscellaneous revenue accounts only when they are not identifiable by miscellaneous revenue account in the settlement process. (See also Section 32.4999(e)). The extent that the charges and credits resulting from a settlement process can be identified by miscellaneous revenue accounts they shall be recorded in the applicable account.

(h) The provision of transport and termination of local telecommunications traffic pursuant to section 251(c) and part 51 of this chapter.

(i) The provision of unbundled network elements pursuant to section 251(c) of the Communications Act and part 51 of this chapter.

(j) This account shall also include other incidental regulated revenue such as:

(1) Collection overages (collection shortages shall be charged to Account 6623, Customer services);

(2) Unclaimed refunds for telecommunications services when not subject to escheats;

(3) Charges (penalties) imposed by the company for customer checks returned for non-payment;

(4) Discounts allowed customers for prompt payment;

(5) Late-payment charges;

(6) Revenue from private mobile telephone services which do not have access to the public switched network; and

(7) Other incidental revenue not provided for elsewhere in other Revenue accounts.

(k) Any definitely known amounts of losses of revenue collections due to fire or theft, at customers' coin-box stations, at public or semipublic telephone stations, in the possession of collectors en route to collection offices, on hand at collection offices, and between collection offices and banks shall be charged to Account 6720, General and Administrative.

Section 32.5230 Directory revenue, a new account, is added.

**§ 32.5230 Directory revenue.**

This account shall include revenue derived from alphabetical and classified sections of directories and shall also include fees paid by other entities for the right to publish the company's directories. Items to be included are:

(a) All revenue derived from the classified section of the directories;

(b) Revenue from the sale of new telephone directories whether they are the company's own directories or directories purchased from others. This shall also include revenue from the sale of specially bound directories and special telephone directory covers;

(c) Amounts charged for additional and boldface listings, marginal displays, inserts, and other advertisements in the alphabetical section of the company's telephone directories; and

(d) Charges for unlisted and non-published telephone numbers.

Section 32.5999 General is amended by revising paragraphs (b)(4), (c) and (g) as follows:

**§ 32.5999 General.**

\* \* \* \* \*

(b) \* \* \*

(4) In addition to the activities specified in paragraph (b)(3) of this section, the appropriate Plant Specific Operations Expense accounts shall include the cost of personnel whose principal job is the operation of plant equipment, such as general purpose computer operators, aircraft pilots, chauffeurs and shuttle bus drivers. However, when the operation of equipment is performed as part of other identifiable functions (such as the use of office equipment, capital tools or motor vehicles), the operators' cost shall be charged to accounts appropriate for those functions. (For costs of operator services personnel, see Accounts 6621, Call completion services, and 6622, Number services, and for costs of test board personnel see Account 6533.)

(c) *Plant nonspecific operations expense.* The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future telecommunications use, provisioning expenses, network operations expenses, and depreciation and amortization expenses. Accounts in this group (except for Account 6540, Access expense, and Accounts 6560 through 6565) shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

(d) \* \* \*

(e) \* \* \*

(f) \* \* \*

(g) *Expense accounts to be maintained.*

Account Title	Class A account	Class B account
Income Statement Accounts		
Plant specific operations expense:		
Network support expense		6110
Motor vehicle expense	6112	
Aircraft expense	6113	
Tools and other work equipment expense	6114	
General support expenses		6120
Land and building expenses	6121	
Furniture and artworks expense	6122	
Office equipment expense	6123	
General purpose computers expense	6124	
Central office switching expense		6210
Non-digital switching expense	6211	
Digital electronic switching expense	6212	
Operators system expense	6220	6220
Central office transmission expenses		6230
Radio systems expense	6231	
Circuit equipment expense	6232	
Information origination/termination expense		6310
Station apparatus expense	6311	
Large private branch exchange expense	6341	
Public telephone terminal equipment expense	6351	
Other terminal equipment expense	6362	
Cable and wire facilities expenses		6410
Poles expense	6411	
Aerial cable expense	6421	
Underground cable expense	6422	
Buried cable expense	6423	
Submarine and deep sea cable expense	6424	
Intrabuilding network cable expense	6426	
Aerial wire expense	6431	
Conduit systems expense	6441	
Plant nonspecific operations expense:		

Other property plant and equipment expenses		6510
Property held for future telecommunications use expense	6511	
Provisioning expense	6512	
Network operations expenses		6530
Power expense	6531	
Network administration expense	6532	
Testing expense	6533	
Plant operations administration expense	6534	
Engineering expense	6535	
Access expense	6540	6540
Depreciation and amortization expenses		6560
Depreciation expense—telecommunications plant in service	6561	
Depreciation expense—property held for future telecommunications use	6562	
Amortization expense—tangible	6563	
Amortization expense—intangible	6564	
Amortization expense—other	6565	
Customer operations expense:		
Marketing		6610
Product management and sales	6611	
Product advertising	6613	
Services		6620
Call completion services	6621	
Number services	6622	
Customer services	6623	
Corporate operations expense:		
General and administrative	6720	6720
Provision for uncollectible notes receivable	6790	6790

Section 32.6560 Depreciation and amortization expenses is revised as follows:

**§ 32.6560 Depreciation and amortization expenses.**

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6561 through 6565.

Section 32.6561 Depreciation expense—telecommunications plant in service, a new account, is added.

**§ 32.6561 Depreciation expense—telecommunications plant in service.**

This account shall include the depreciation expense of capitalized costs in Accounts 2112 through 2441, inclusive.

Section 32.6562 Depreciation expense—property held for future telecommunications, a new account, is added.

**§ 32.6562 Depreciation expense—property held for future telecommunications use.**

This account shall include the depreciation expense of capitalized costs included in Account 2002, Property held for future telecommunications use.

Section 32.6563 Amortization expense—tangible, a new account, is added.

**§ 32.6563 Amortization expense—tangible.**

This account shall include only the amortization of costs included in Accounts 2681, Capital leases, and 2682, Leasehold improvements.

Section 32.6564 Amortization expense—intangible, a new account, is added.

**§ 32.6564 Amortization expense—intangible.**

This account shall include the amortization of costs included in Account 2690, Intangibles.

Section 32.6565 Amortization expense—other, a new account, is added.

**§ 32.6565 Amortization expense—other.**

(a) This account shall include only the amortization of costs included in Account 2005, Telecommunications plant adjustment.

(b) This account shall also include lump-sum write offs of amounts of plant acquisition adjustment as provided for in section 32.2005(b)(3) of subpart C.

(c) Subsidiary records shall be maintained so as to show that character of the amounts contained in this account.

Section 32.6620 Services is revised as follows:

**§ 32.6620 Services.**

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6621 through 6623.

Section 32.6621 Call completion services, a new account, is added.

**§ 32.6621 Call completion services.**

This account shall include costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

Section 32.6622 Number services, a new account, is added.

**§ 32.6622 Number services.**

This account shall include costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

Section 32.6623 Customer services, a new account, is added.

**§ 32.6623 Customer services.**

(a) This account shall include costs incurred in establishing and servicing customer accounts. This includes:

- (1) Initiating customer service orders and records;
- (2) Maintaining and billing customer accounts;
- (3) Collecting and investigating customer accounts including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;
- (4) Collecting and reporting pay station receipts; and
- (5) Instructing customers in the use of products and services.

(b) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**Part 51 of title 47 of the C.F.R. is amended as follows:**

**PART 51 – INTERCONNECTION**

Section 51.609 Determination of avoided retail costs is amended by revising paragraphs (c)(1), (c)(3), and (d) to read as follows:

**§ 51.609 Determination of avoided retail costs.**

\* \* \* \* \*

(c) \* \* \*

(1) Include as direct costs, the costs recorded in USOA accounts 6611 (product management and sales), 6613 (product advertising), 6621 (call completion services), 6622, (number services), and 6623 (customer services) (§§ 32.6611, 32.6613, 32.6621, 32.6622, and 32.6623 of this chapter);

(2) \* \* \*

(3) Not include plant-specific expenses and plant non-specific expenses, other than general support expenses (§§ 32.6112-6114, 32.6211-6565 of this chapter).

(d) Costs included in accounts 6611, 6613 and 6621-6623 described in paragraph (c) of this section (§§ 32.6611, 32.6613, and 32.6621-6623 of this chapter) may be included in wholesale rates only to the extent that the incumbent LEC proves to a state commission that specific costs in these accounts will be incurred and are not avoidable with respect to services sold at wholesale, or that specific costs in these accounts are not included in the retail prices of resold services. Costs included in accounts 6112-6114 and 6211-6565 described in paragraph (c) of this section (§§ 32.6112-32.6114, 32.6211-32.6565 of this chapter) may be treated as avoided retail costs, and excluded from wholesale rates, only to the extent that a party proves to a state commission that specific costs in these accounts can reasonably be avoided when an incumbent LEC provides a telecommunications service for resale to a requesting carrier.

\* \* \* \* \*

**Part 65 of title 47 of the C.F.R. is amended as follows:**

**PART 65 – INTERSTATE RATE OF RETURN PRESCRIPTION PROCEDURES AND METHODOLOGIES**

Section 65.450 Net Income is amended by revising paragraphs (a) and (b)(1) to read as follows:

**§ 65.450 Net Income.**

(a) Net income shall consist of all revenues derived from the provision of interstate telecommunications services regulated by this Commission less expenses recognized by the Commission as necessary to the provision of these services. The calculation of expenses entering into the determination of net income shall include the interstate portion of plant specific operations (Accounts 6110-6441), plant nonspecific operations (Accounts 6510-6565), customer operations (Accounts 6610-6623), corporate operations (Accounts 6720-6790), other operating income and expense (Account 7100),



and operating taxes (Accounts 7200-7250), except to the extent this Commission specifically provides to the contrary.

(b) \* \* \*

(1) Gains related to property sold to others and leased back under capital leases for use in telecommunications services shall be recorded in Account 4300, Other long-term liabilities and deferred credits, and credited to Account 6563, Amortization expense—tangible, over the amortization period established for the capital lease;

\* \* \* \* \*

**STATEMENT OF  
COMMISSIONER MICHAEL J. COPPS,  
APPROVING IN PART, DISSENTING IN PART**

Re: *Federal-State Joint Conference on Accounting Issues, 2000 Biennial Regulatory Review—Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase II, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting (WC Docket No. 02-269, CC Docket Nos. 00-199, 80-286, 99-301)*

Two years ago, I enthusiastically embraced the Commission's decision to convene a Joint Conference on Accounting. Accounting depredations had distressed the telecommunications industry and wreaked considerable havoc on the economy as a whole. I believed then and believe now that the cure for these problems lies in greater state and federal oversight, not less.

I am pleased that today's decision puts in place several rule modifications recommended by the Joint Conference. But I am troubled that it does not go far enough. In particular, it broadly rejects key recommendations concerning affiliate transactions. These recommendations were designed to remedy rules that provide carriers with too much discretion to value transactions between affiliates. This is precisely the kind of discretionary accounting that led to such serious problems in the financial sector and that raised concerns that led to development of the Joint Conference.

The majority also dismisses recommendations for some new accounts identified by the Joint Conference. These accounts are needed to get a full picture of carrier investment and to ensure that prices reflect actual costs. Both the States and the Commission use reported data to develop an understanding of the plant, revenue and expenses of carriers and to enable comparisons among companies and over time. States also use this data to develop prices for network elements, to develop prices for resold services and to conduct ratemaking proceedings. If the Commission keeps to its current course, emphasizing only the federal purpose of accounting data, the States' ability to carry out their statutory responsibilities will be sharply curtailed at potential great cost to consumers.

We have entered an era when more information—not less—is necessary for consumer confidence and investor security. We have a duty to ensure that the required system of accounts provides *both* state and federal regulators with the information they need to discharge their oversight obligations. This is the essence of a viable federal-state partnership. It is also memorialized in the Communications Act. In Section 220(i), Congress specifically directed the Commission to consider the views and input of each state commission before prescribing any accounting requirements. In Section 220(j), Congress directed the Commission to investigate and report on the need for legislation to define further or harmonize the powers of the Commission and of state commissions with respect to accounting requirements. In today's Order, the majority gives short shrift to the spirit of this partnership. They show too little interest in the needs of the States and are reluctant to acknowledge the expertise of the members of the Joint Conference. It appears they prefer to inch along on our current track, casting off even modest recommendations for reform as burdensome for carriers, without considering the consequences of a system based on deficient information. This is troubling because policies at both the state and federal level are only as good as the data on which they are based. For these reasons, I dissent in part.

The Joint Conference was asked to take a broad-based look at the Commission's accounting policies. The convening Order directed the group to ensure that accounting data are "adequate, truthful, and thorough." It is time for the Joint Conference to embrace the full scope of this duty and move forward with further recommendations. We have a broad mandate and I hope we can meet it before the

charter of the Joint Conference expires. But we have far to go to amass a credible record. We need to assess the adequacy of current requirements and question why regular audits are not a feature of the Commission's core responsibilities. We should ask how use of the Commission's authority to inquire into the business management of carriers under Section 218 might have helped us to identify recent corporate governance problems ranging from capacity swaps to tactics to circumvent access charges. The Commission also has specific requirements that carriers must comply with concerning continuing property records. Although this issue has been swept under the rug in the past, how can we approach TELRIC reform without taking another look at these underlying issues of cost? I also believe the Joint Conference should do more to memorialize the federal-state partnership that is the essence of Section 220, abandoning once and for all the misguided emphasis on federal purpose that the Commission adopted in its *Phase II* decision.

I want to commend my colleagues on the Joint Conference for their extensive efforts. They slogged through complex issues involving accounts, subaccounts, separate affiliate rules and reporting requirements. Through cooperative discussion we hashed out a reasonable set of recommendations. Though not all of these recommendations are adopted in this Order, I look forward to working with the members of the Joint Conference on future endeavors. We have a duty to consider what more needs to be done so that accounting data are comprehensive and accurate. Our rules must be up to the high standards of corporate governance and regulatory oversight that ratepayers across the country have a right to expect in light of events over the past few years.

**STATEMENT OF  
COMMISSIONER KEVIN J. MARTIN,  
APPROVING IN PART, CONCURRING IN PART**

*Re: Federal State Joint Conference on Accounting Issues, WC Docket 02-269; 2000 Biennial Regulatory Review, CC Docket No. 00-199; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket No. 80-286; and Local Competition and Broadband Reporting, CC Docket No. 99-301*

Today, the Commission acts on recommendations submitted by the Federal-State Conference on Accounting. This Order only grants some of the Joint Conference's recommendations, I approve in part and concur in part in this item.

This Order reinstates several Part 32 Accounts that provide states with the critical accounting information they need. The Order also requires ILECs to maintain subsidiary records categories for unbundled network element revenues, resale revenues, reciprocal compensation revenues and other interconnection revenues in accounts in which these revenues are currently recorded. Although this item does not go as far as requiring companies to maintain this information in Part 32, this item does require ILECs to make all this data available to the states and to this Commission upon request. I am pleased to see the Commission listened to the Joint Conference's call for the need to have access to this crucial accounting information.

As I said when the Joint Conference filed its recommendation with the FCC, I was concerned that the costs associated with providing information related to certain affiliate transactions might outweigh the benefits of getting that information. I feel the Commission could have provided a tangible benefit to state regulators by approving some of the crucial affiliate transactions recommendations without unduly burdening the ILECs that would have to provide this information. For this reason, I must concur with this part of today's Order.

**STATEMENT OF  
COMMISSIONER JONATHAN S. ADELSTEIN,  
APPROVING IN PART, DISSENTING IN PART**

Re: *Federal-State Joint Conference on Accounting Issues, 2000 Biennial Regulatory Review—Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase II, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No. 02-269, CC Docket Nos. 00-199, 80-286, 99-301.*

In 2002, the Federal-State Joint Conference on Accounting Issues was established and charged with facilitating “cooperative federal and state review of regulatory accounting and related reporting requirements in order to determine their adequacy and effectiveness in the current market and make recommendations for improvements.” The need for Federal and State policymakers to have access to thorough, accurate and reliable information has been demonstrated in sharp relief over the past two years. Strong accounting and reporting rules play a critical role in protecting consumers and promoting investor confidence. The Joint Conference took seriously its task and delivered to this Commission a set of recommendations that reflected the considerable expertise and breadth of experience possessed by its Federal and State members and staff.

I support much of this Order and am pleased that it implements a number of the recommendations of the Joint Conference. The item provides needed certainty on those accounting and reporting items which have been suspended since 2002. I am also pleased that the Commission makes efforts to accommodate the Joint Conference’s views in some areas where the Order does not adopt the Joint Conference’s recommendations in full. For example, while the Order declines to adopt separate accounts for interconnection revenues, it does require subsidiary accounts to address in part the Joint Conference’s concerns.

In other areas, however, this Order casts aside the recommendations of the Joint Conference. Despite the Act’s call for Federal-State partnership on accounting and recordkeeping issues, this Order dismisses several of the Joint Conference’s requests for additional information with promises to consider those issues in other proceedings. I expect that the Commission will act expeditiously on these issues. Most troubling is the Commission’s dismissal of all of the Joint Conference’s recommendations on the affiliate transaction rules. Given this Commission’s increasing reliance on these safeguards, it strikes me as unwise to discount wholly the Joint Conference’s recommendations here. For this reason, I dissent in part from the item.

Finally, I would like to thank the Federal and State members of the Joint Conference for their dedication and contributions on these complex issues.